



FRED WILLIAMSON & ASSOCIATES, INC.
Telecommunications Management Services

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December 12, 1996

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street N. W.
Washington, D.C. 20554

CC Docket No. 96-45
Common Carrier Bureau
Request for Comments

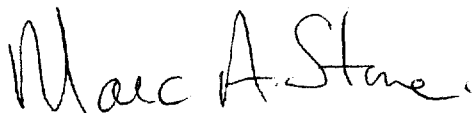
Dear Mr. Caton:

Enclosed for filing are the original, and four (4) copies of the Comments of Fred Williamson & Associates, Inc. in the above referenced Docket. Copies have also been served on the service list shown on the mailing certificate. The Commission's copy contractor, International Transcription Service has also been provided one (1) copy of this filing. Further, one (1) copy of these Comments has also been provided on diskette to Ms. Todd's attention, as requested. Also, as recently requested by the FCC Staff, two additional copies are included as "Extra Public Copies" for the Record Image Process System.

Please "file stamp" and return the additional copy of these Comments in the enclosed self-addressed stamped envelope.

Sincerely,

FRED WILLIAMSON & ASSOCIATES, INC.



Marc A. Stone
Manager - Regulatory/Legislative Affairs

MAS/bls

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of:

Federal - State Joint Board on
Universal Service

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CC Docket No. 96-45

COMMENTS OF
FRED WILLIAMSON & ASSOCIATES, INC.
in the
Common Carrier Bureau
Request for Comments
Released November 18, 1996

December 12, 1996

Fred Williamson & Associates, Inc.
2921 E. 91st Street, Suite 200
Tulsa, Oklahoma 74137-3300

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of:)	
)	
Federal - State Joint Board on)	CC Docket No. 96-45
Universal Service)	

**COMMENTS OF
FRED WILLIAMSON & ASSOCIATES, INC.
IN RESPONSE TO
COMMON CARRIER BUREAU**

Fred Williamson & Associates, Inc. (FW&A) respectfully submits these Comments in response to the Federal Communications Commission's (FCC) Common Carrier Bureau (Bureau) Request for Comments released: November 18, 1996, in the above captioned Docket. The request relates to implementation, in part, of the Congressional directives set out in Section 254 of the Communications Act of 1934, as added by the Telecommunications Act of 1996 (1996 Act). Specifically the Bureau requests Comments in five (5) specific areas relating to the Federal-State Joint Board Recommended Decision, adopted and released November 7, 1996, regarding Universal Service.¹

¹ FCC DA 96 1891, Public Notice in CC Docket 96-45, released November 18, 1996.

I. Introduction and Background

FW&A is a telecommunications management consulting organization located in Tulsa, Oklahoma; serving predominantly investor-owned, small, rural, independent telephone companies in Oklahoma and Kansas. All FW&A client companies, except for one, are currently participants/receivers of existing Universal Service Fund (USF) annual monies; and all client companies are substantially less than 200,000 access lines in size. All FW&A clients currently also qualify for full Dial Equipment Minute (DEM) weighting allocations. Additionally, all FW&A clients are members in, and participants of, the pooling processes procedures and of the National Exchange Carriers Association (NECA), and they all concur in the Common Line and Traffic Sensitive interstate tariff schedules and rates filed by NECA.

FW&A has been an active participant in the NECA/USF Industry Task Force and subsequently has continued to assist NECA in its overall administration and data collection related to USF. FW&A has been involved with the extensive steps taken by NECA, and its individual member companies, to ensure the continued integrity of the existing USF process. FW&A has been an active participant in various proceedings related to both the previous FCC Docket 80-286 process and in the subject FCC Docket 96-45. Further, FW&A has been, and will continue to be, an active participant in the Congressional process leading to the Act, and its implementation phases. Based on its involvement in these various activities, and its concerns related to its clients, FW&A provides these Comments in response to the Bureau's specifically requested items for

Comment.

II. Specific Comments

1. Principles - FW&A believes that the addition of a principle of "competitive neutrality" needs neither inclusion, definition or application to any universal service provided under the Act.² The direction and specific requirements provided in the Act, is for a "specific, predictable and sufficient Federal and State mechanism to preserve, and advance universal service".³ There is neither need, nor rationale, for the addition of a principle of "competitive neutrality" to achieve this mandate. The greater concern of this Commentor is for the FCC to not negatively impact existing universal service mechanisms⁴ while developing a transition to the new/modified universal service defined in the Act. Unless such transparency is maintained, the nationwide goal of universal service for all citizens desiring it - at "reasonable rates" - may be impinged, or more importantly permanently damaged. We therefore do not support inclusion of this proposed principle in any final Order in this Docket.
2. Low-Income - FW&A is concerned that dollar amounts of support, rather than support principles seem to be becoming major decision-affecting concern in this proceeding. We believe that Congressional intent should be the goal - not any

² Telecommunications Act of 1996 (the Act).

³ Supra, Title I, Telecommunications Services, Section 254, Universal Service (2)(b)(5)

⁴ FCC Rules, Part 36, Subpart F - Universal Service Fund 36.601-641.

arbitrary attempts to limit fund sizing, or recipient qualification due to the Joint Board's concerns with the sizing of the fund, and its payment generation potential. Most existing Lifeline programs do not require any income qualification, and therefore are probably not the best future mechanism to look at for a "true payment transfer" if it is to be accomplished to assist providing basic local service(s) to the truly "financially needy". Further, there is no empirical evidence in this Docket supporting either the Joint Board \$5.25 baseline amount, or any other specific dollar of baseline. Absent such evidence, how can any such decision be reached?

3. Schools/Libraries - FW&A asserts that this entire area of support has become both a "political pork barrel" and has shifted the focus of this potential cost support/discount from a level of support of basic universal service (that is the assurance to continue service availability) to a "grab-bag of goodies" that would essentially cause the telecommunication industry funding of items that taxpayers will not currently provide for these institutions. A minimis specific threshold level of discount should be provided in all areas, without any additional consideration given to the "high cost" area in which an institution may be located. (We continue to support existing "high cost" funding support to the service provider, not for creating a new program as a direct benefit provided to the end-user.) We are also troubled by any support, or cost recovery involvement of the inside wiring for these institutions as a potentially supported service, since this is not a regulated activity and many existing competitive alternatives exist for its

provision. Further, we do not support any funding, or discount for anything beyond basic local exchange access service under the universal service funding program.

4. Health Care - As with Schools/Libraries, FW&A has similar concerns with the scope and magnitude of actual proposals for Health Care service(s) funding. We see no differentiation in the Joint Board Recommendation to differentiate between the for-profit and the tax supported public health care sector. Surely this distinction should be recognized.

Specific technology, or bandwidth should not be the focus of this support, as technology is constantly changing and improving, and alternates are developing daily to provide service in new, and innovative methods. Therefore it should be the "service", not specific serving arrangements subject to any support definition.

Our concern also focuses upon what ongoing use will actually be made of these "supported"/discounted services, and if patients/beneficiaries will truly see permanent substantive financial benefits from the use of telecommunications versus traditional "hands-on" medical practice. Too often we have heard of the short-term use of current distance-medicine applications, and then its replacement with traditional on-site practice in a fairly short timeframe due to doctors', or other practitioners' reluctance to rely upon use of the distance methodology, or the absence of ongoing training in its use. We therefore ask what incentives might be proposed for either continued qualification for the "discount", or retention of the distance service tied to its ongoing utilization - especially for the

rural low-income population?

5. Administration - FW&A supports the use of both intrastate and interstate revenues as the basis for determining the contributing carriers' assessment. We do not support any system that allows carriers to artificially shift jurisdictional reported revenues to avoid funding allocations that an interstate revenue base system might cause.

Further, we support the continuation of the National Exchange Carrier Association as the Administrator of universal service funding, as they have demonstrated their competence to do so - at an economically efficient cost level, as both the collector and distributor of the current USF.

III. Conclusion

First, and foremost FW&A urges the transition process as proposed in the Joint Board Recommendation as the only logical way to begin the movement to any new, and expanded, universal service funding (as contemplated in the Act). Our concern, and that of our clients, continues to be to allow a stable and predictable continuation of the existing "social contract" between the regulatory process and the incumbent local exchange carriers for recovery of investment placed for public use for purposes of complying with existing national policies relating to Universal Service.

The past, and continuing, investment and financial commitments of FW&A clients are indicative of the overall general investment, and continuing re-investment, that has

occurred by the smaller, rural, non-RBOC companies. These companies have all totally replaced their network switching and infrastructure, from mechanical central offices and multi-party lines, to their currently installed state-of-the-art digital switches, with digital interoffice trunking (including fiber optic facilities) within the period of the current USF funding mechanism - 1983 to current. These upgrades also required substantial outside plant-related investment, including upgrade/replacement/enhancement of customer loop-related facilities to support their upgraded network(s).

Since most recipient companies (including FW&A clients), and their subscribers who "benefit" from USF fund availability, are often in the more rural, less densely populated, insular, geographic regions of the country, one has seen a normally expected growth in the cost-per-loop for these areas, especially as service is extended to more remote areas. Yet local service rates have remained "reasonable," while these companies are maintaining existing standards for high service quality, as the network infrastructure continues to be built/enhanced to support these customers; and as customer service requirements continue to evolve for the more technically sophisticated and service intensive end user.

We believe that the current USF has met its intended goals of providing a continued incentive for incumbent local exchange telephone companies to invest in rural infrastructure, and has clearly met the goals of maintaining local rates at reasonable levels (or at rate levels lower than would otherwise be imposed absent such funding).

It is imperative that in the future not only must current mechanisms be allowed to continue, but also that the predictable and stable nature of ongoing support envisioned by the 1996 Act be implemented.

We, therefore, urge great caution as the FCC proceeds forward in this area of Universal Service so that there is not only the ability to maintain the stability and predictability of current support mechanisms, but so that other related implicit support mechanisms are not negatively impacted by actions taken by the FCC regarding the overall implementation of all provisions contained in the 1996 Act. Finally, while we are supportive of efforts to continue the ability of schools, libraries, and health care providers to develop capabilities related to the Information Highway - we are concerned that the incumbent local exchange carriers can be perceived as the "ultimate funders" of such future activities. These added cost subsidies are better placed as direct, identifiable tax burdens to the populace served by these institutions. Doing so would better mirror the method similarly occurring in the transition of implicit subsidies for local exchange service to explicit subsidies. We should not allow the replacement of the existing implicit support to universal service to become a shift of the overall high cost subsidy to these institutions, rather we must develop methods to accommodate these institutions' needs while continuing cost support for "reasonable rate" levels of basic local exchange service(s) for the existing end-users.

As much wiser people have said: "There's no free lunch (funds)" - and we believe there are no "free discounts" for schools, libraries, and health care providers.

Respectfully submitted,

FRED WILLIAMSON & ASSOCIATES, INC.

A handwritten signature in dark ink, appearing to read "M A Stone", is written over a horizontal line.

Marc A. Stone

Manager - Regulatory/Legislative Affairs

Certificate of Mailing

I, Marc A. Stone, do certify that a copy of these Comments were sent, postage prepaid, to the following Service List.



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December 12, 1996

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